

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 DOTE-00

FMC-01 CG-00 OFA-01 DLOS-04 EA-06 EUR-12 /108 W

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TO SECSTATE WASHDC 9106

INFO AMCONSUL CURACAO

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E.O. 11652: N/A

TAGS: BEXP VE

SUBJECT: PROPOSAL TO GOV SHIPBUILDING CORPORATION (COVINCA)

FOR COMPLEMENTARITY WITH SANTA ANA SHIPYARDS CORP. OF CURACAO

1. SUMMARY. A CURACAO-BASED SHIPBUILDING CONSORTIUM INCLUDING TWO US FIRMS, JOHN J. MCMULLEN ASSOCIATES, INC., AND AMERICAN SHIPBUILDING COMPANY, ALONG WITH THE GOVERNMENT OF CURACAO, HAS MADE A PROPOSAL TO THE VENEZUELAN SHIPBUILDING INDUSTRY FOR EXTENSIVE INTERCHANGE AND COMPLEMENTARITY BETWEEN THE TWO ENTERPRISES.

2. ON JUNE 11, EMBASSY OFFICERS MET WITH LOUIS H. RODDIS, JR., PRESIDENT, JOHN J. MCMULLEN ASSOCIATES, INC., TO DISCUSS AND HELP PAVE WAY FOR COMPANY'S POSSIBLE PARTICIPATION IN ESTABLISHMENT OF VENEZUELAN NATIONAL SHIPYARD INDUSTRY.

3. JOHN J. MCMULLEN ASSOCIATES HAVE PRESENTED A PROPOSAL TO THE GOV INFORMING IT OF A NEW ENTITY KNOWN AS SANTA ANA SHIPYARDS CORPORATION CURRENTLY IN ADVANCED STAGE OF DEVELOPMENT

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LOCATED AT CURACAO, NETHERLANDS ANTILLES. ACTUAL CONSTRUCTION

IS SCHEDULED TO BEGIN IN SEPTEMBER 1975. PLANS CALL FOR CONSTRUCTION OF TANKERS AND PETROLEUM PRODUCT CARRIERS, GENERAL CARGO SHIPS AND BULK CARRIERS UP TO 80,000 DWT.

4. MCMULLEN ASSOCIATES SUGGESTS THAT DURING THE INERIM PERIOD REQUIRED FOR DEVELOPMENT OF VENEZUELAN SHIP-BUILDING INDUSTRY, GOV REQUIREMENTS FOR TONNAGE BE MET THROUGH THE SANTA ANA FACILITY.

5. PROPOSAL CITES GEOGRAPHIC PROXIMITY OF VENEZUELA TO CURACAO (AS OPPOSED TO EUROPE OR JAPAN), AND ITS GROWING INDUSTRIALIZATION AS IDEALLY SUITED TO SUPPLY CONSTRUCTION MATERIALS TO SANTA ANA, THEREBY BENEFITING VENEZUELA'S SHIPBUILDING INDUSTRY AND ECONOMY.

6. PROPOSAL ALSO OFFERS THAT IN RETURN FOR GOV CONTRACT TO CONSTRUCT A NUMBER OF VESSELS AT SANTA ANA, THE SHIPYARD WILL ASSIST THE VENEZUELAN SHIPBUILDING INDUSTRY AND THAT SANTA ANA WILL PROCURE SHIPBUILDING MATERIALS SUCH AS STEEL, ELECTRIC CABLES, ETC., FROM VENEZUELA, THEREBY ASSISTING IN THE DEVELOPMENT OF VENEZUELA'S ANCILLIARY SHIPYARD INDUSTRIES.

7. COST OF CONSTRUCTION OF SANTA ANA SHIPYARDS IS SEVENTY-ONE MILLION DOLLARS WITH TOTAL PROJECT EXPENDITURE OF EIGHTY-FIVE AND ONE-HALF MILLION DOLLARS. EXPORT-IMPORT BANK HAS AUTHORIZED A DIRECT LOAN OF SIXTEEN MILLION DOLLARS AND HAS GUARANTEED AN ADDITIONAL THIRTY-TWO MILLION.

8. PRODUCTION EXPECTATIONS INCLUDE THE TYPE OF UNITS NAMED IN PARAGRAPH 3. ACCORDING TO PLANS, FOUR 80,000 DWT TANKERS OR FIVE OR SIX GENERAL CARGO VESSELS CAN BE COMPETITIVELY PRODUCED EACH YEAR, EMPLOYING LATEST PRODUCTION TECHNIQUES AND EFFICIENCIES.

9. MCMULLEN THEORIZES THAT ALTHOUGH SHIPBUILDING HAS BEEN DOMINATED BY THE INDUSTRIALIZED NATIONS OF EUROPE AND JAPAN, TRENDS NOW POINT TO THE ECONOMIC ADVANTAGES, THROUGH LOWER LABOR COSTS, OF ESTABLISHING SHIPBUILDING FACILITIES IN LESS DEVELOPED NATIONS. AT THE SAME TIME, VESSELS CONSTRUCTED IN LIMITED OFFICIAL USE

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LESS DEVELOPED AREAS, SUCH AS THAT OF THE SANTA ANA FACILITY, WILL ENABLE SHIPOWNERS TO OBTAIN VESSELS BULT TO THEIR INDIVIDUAL SPECIFICATIONS AND NEEDS RATHER THAN HAVING TO ACCEPT STANDARD DESIGNED SHIPS AS IS NOW THE PREVALENT PRACTICE WHEN CONTRACTING WITH HIGH COST SHIPYARDS OF THE INDUSTRIAL NATIONS.

10. MCMULLEN ASSOCIATES ALSO CONTENTS THAT THROUGH VENEZUELA'S

SUPPLYING MATERIALS TO THE CURACAO SHIPYARD, NOT ONLY WILL THE GROWTH OF VENEZUELA'S ECONOMY BE STIMULATED, BUT COMPANIA ANONIMA VENEZOLANA DE NAVEGACION (CAVN), THE NATIONAL FLAG FLEET, WILL BENEFIT THROUGH THE TRANSPORTATION OF VENEZUELAN INDUSTRIAL MATERIALS TO CURACAO. MORE IMPORTANT FOR VENEZUELA, PERHAPS, BY SUPPLYING THE AVAILABLE MARKET IN CURACAO, THE VENEZUELAN SHIPYARD INDUSTRY WILL TEND TO DEVELOP MORE RAPIDLY.

1. MCMULLEN ASSOCIATES CONCLUDE THAT BY CONTACTING WITH THE SANTA ANA FACILITY, VENEZUELA WILL STRENGTHEN ITS EXISTING POLITICAL TIES WITH THE NETHERLANDS ANTILLES AND ASSIST IN ENCOURAGING THE GROWTH OF REGIONAL COOPERATION, THEREBY LEADING TO AN INCREASE IN VENEZUELA'S INFLUENCES IN THE CARIBBEAN AREA.

12. COMMENT. IT IS VERY EARLY TO PREDICT WHAT THE CHANCES OF SUCCESS ARE FOR SANTA ANA/MCMULLEN ASSOCIATES' PROPOSAL, BUT IT IS KNOWN THAT VENEZUELAN OFFICIALS ARE SERIOUSLY INTERESTED. ONE APPEALING ASPECT OF THE PLAN FROM THE VENEZUELAN STANDPOINT WOULD BE THAT THE SHIPYARDS WORKING TOGETHER WOULD BE OF MORE OR LESS SAME SIZE, I.E., THE VENEZUELAN WOULD NOT BE DEALING WITH A GIANT IN THE INDUSTRY. THE PLAN WOULD ALSO GIVE VENEZUELA AN OPPORTUNITY TO OBTAIN LATEST US TECHNOLOGY WITHOUT DEALING DIRECTLY WITH US COMPANY AND THIS COULD ALSO BE APPEARING BECAUSE OF GOV ANNOUNCED POLICY OF SEEKING TO DIVERSIFY FOREIGN TRADE SOURCES. SHLAUDEMAM

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